

LAND BOARD AGENDA ITEM

January 16th, 2007

**FINAL APPROVAL FOR LAND BANKING ACQUISITION:
WOLF CREEK RANCH**

Seller:	Keith and Kristine Arntzen, Christopher and Karrie Sramek
Prospective Buyer:	State of Montana, Department of Natural Resources and Conservation
Location:	Approximately five miles NE of Denton, Montana (1/2 mile W of the Beckman Wildlife Management Area)
Property Characteristics:	Ranch property consisting of 1,840 acres. This total includes approximately 3 miles of predominate riparian zone along Wolf Creek. Dry land grain production on the upper benchlands, irrigated high-production hayground and tame and native pasture
Recreational Opportunities:	Excellent pheasant habitat, good deer hunting opportunities
Access:	Legal access via the Ballydome county road
Expected Annual Income to Trust Beneficiaries:	\$28,000
Appraised Value/Purchase Price:	$\$701/\text{acre} \times 1,840 \text{ acres} = \$1,290,000.00$
Proposed Closing Date:	January 18 th , 2007

FINAL APPROVAL FOR LAND BANKING ACQUISITION WOLF CREEK RANCH

Background

The proposed purchase of the 1,840 acre Wolf Creek Ranch NE of Denton in west-central Fergus County received preliminary approval by the Board of Land Commissioners (Board) in July, 2006. Since then, the DNRC has engaged in evaluation of the property as per the Land Banking Rules at ARM 36.25.815.

Public Involvement:

The Wolf Creek Ranch was not nominated for state acquisition under the Land Banking Process. Instead, the property was listed for sale with a realty agency (Parsons Farm and Ranch Realty) and identified as having potential as a valuable state asset by staff of the DNRC's Northeastern Land Office. The potential land purchase was discussed with the Fergus County Commissioners prior to receiving preliminary approval from the Board. A newspaper article regarding the potential purchase was published in the Great Falls Tribune on September 11, 2006. Notification of a public tour of the property was published in the Lewistown News Argus. A meeting was held with the Central Montana Chapter of Pheasants Forever July 10. A meeting was held with the Denton Rod and Gun Club September 12. Letters were sent to adjacent land owners and the Fergus County Commission September 21 and September 26 respectively notifying the parties of the Land Board's preliminary approval of the acquisition and intent to conduct further due diligence.

Selection Considerations and Process

DNRC secured a purchase agreement contingent upon findings of the due diligence as per Land Banking rule ARM 36.25.815. Comments received from the public to date concerning the state's proposal to purchase the Wolf Creek Ranch are both positive and negative.

The DNRC has conducted an in-depth evaluation of this tract for acquisition. A copy of the evaluation summary is attached. Following final approval by the Board, the DNRC will proceed to closing, and acquire the Wolf Creek Ranch for the appraised value of \$1,290,000.

Agency Recommendation:

The DNRC recommends the Board's final approval for acquisition of the Wolf Creek Ranch property.

Due Diligence Property Evaluation Summary

ACQUISITION REPORT	EXPLANATION
Seller's Disclosure	
Annual Rate of Return over 20 years	1.97%
Average Annual Rate of Return of property sold	0.80%
Annual Income	\$28,842 - The property will be leased back to the Seller at a rate of \$30/Ac irrigated land, \$21/Ac dryland cropland and 300 AUM at \$20 per AUM.
Classification of property	Dryland Agriculture - 908.30 acres, Grazing land - 773.60 acres, Irrigated agriculture 125.6 acres, unsuitable land (roads, reservoirs) 32.5 acres. 1840 total acres
Soils/Range	The dryland agricultural soils are clay loams and the irrigated cropland soils are loams. The slope of all cropland is less than 4%.The rangeland is a complex soil type of clay, silty clay and silty loam clay on slopes of 15-60%. All soils are of the Class III type and are expected to be productive for cereal grains and hay.
Vegetation	The riparian area along Wolf Creek has an overstory of buffalo and snowberry and an understory of western wheat grass and other native grasses. Tame grass species and cheatgrass surround the corral area. The irrigated fields are managed for alfalfa / grass hay and the upland benches are a combination of winter wheat and tame grass managed for hay. The fields along the alluvial stream bottom are irrigated as water is available in Wolf Creek. These fields would be very productive for dry land cereal grains or hay.
Range Condition	Good. The property is in a 15 inch precipitation zone making it somewhat drought resistant.
Weeds	Isolated patches of Canada thistle and white top, 20 acres of cheatgrass around the livestock corrals where winter feeding historically occurred. Isolated patches of poison hemlock along Wolf Creek.
Timber Cruises	No commercial timber exists on the property.
Water	Wolf Creek, a perennial stream, flows south to north for two miles through the property. Two reservoirs exist; 3 and 8 acres respectively. Two ephemeral creeks, Ox and Smith Creeks run seasonally to Wolf Creek.
Water Rights	18 water rights have been filed on the property. In the past the property was managed more intensively for irrigated hay production. One water right is in dispute with and adjoining land owner. Preliminary discussions with that land owner indicate an ability to settle the dispute. Two water rights exist for fish and wildlife associated with the stock ponds. Attached is a more complete description of water rights (see attached Water Rights Evaluation report)

Wildlife (T&E)	Excellent upland bird habitat, adjacent to the Beckman Wildlife Management Area dedicated to mule deer habitat, white tail deer, antelope and other typical plains wildlife exist. No known T&E species present
Fisheries	Potential sport fisheries in the two reservoirs. Prairie fish may be present in Wolf Creek.
Wetlands/Flood plain	A limited amount of wetland habitat exists immediately adjacent to the creek. The entire Wolf Creek bottom is in the flood plain and has a low occurrence of flooding.
Riparian characteristics	Two miles of Wolf Creek riparian habitat in fair to good condition
Cultural values	Two abandoned home sites on the property.
Mineral characteristics	The property has low potential for oil and gas development. There is no oil and gas development in the area. State land located 1/4 mile to north east has not been leased for oil and gas. The property has been mined for gravel and further gravel extraction potential exists, however sand and gravel deposits are common in the area. The seller will transfer mineral rights upon sale.
Aesthetic Values	The property is located in a scenic area typical of the intersection of Judith River breaks and the adjoining Alton Bench. Wolf Creek is an attractive prairie stream.
Recreational Use	Excellent upland game bird hunting, fair deer hunting, marginal antelope hunting. There is potential for two "put and take" sport fisheries in the reservoirs.
Zoning	None
Planning	None
Surrounding land use	Adjacent lands are used for agricultural and grazing purposes. The DFWP Beckman Wildlife Management Area is 1/2 mile to the east and is used as mule deer habitat and recreation. There has been recent rural home development in the area and recreational values are reflected in recent land sales and use.
Potential for multiple use	The primary use of the property would be agricultural production and the grazing of livestock. The property is likely to get heavy recreational use during hunting season. There is the potential for habitat improvement projects on the property in conjunction with DFWP. There may be potential for a wetland mitigation project with the Montana Department of Transportation. There is potential for gravel extraction and low potential for other minerals.
Access to parcel	The Ballydome county road provides excellent legal access to the property. A good ranch road accesses the interior of the property.
Infrastructure	Two electrical service locations exist adjacent to two irrigation pump sites. Two wheel line and one hand line irrigation systems are in poor condition.
Adjacent public lands	There are no immediately adjacent public lands. A state school trust section is one quarter mile north and the DFWP Beckman WMA area is 1/2 mile east.

Adjacent conservation easements	None
Appraised Value	1.29 million
Purchase Price	1.29 million
Summary of Title report	Complete
Summary Phase 1 site analysis	No environmental concerns were identified
Notification to Commissioners and adjacent land owners	<p>The potential land purchase was discussed with the Fergus County Commissioners prior to receiving preliminary approval from the Board. A newspaper article regarding the potential purchase was published in the Great Falls Tribune on September 11, 2006. Notification of a public tour of the property was published in the Lewistown News Argus. A meeting was held with the Central Montana Chapter of Pheasants Forever July 10. A meeting was held with the Denton Rod and Gun Club September 12. Letters were sent to adjacent land owners and the Fergus County Commission September 21 and September 26 respectively notifying the parties of the Land Board's preliminary approval of the acquisition and intent to conduct further due diligence.</p>
Comments received during public involvement process	<p>A letter of opposition to this prospective purchase was received from Fergus County Commissioner Ken Ronish on behalf of the Denton Rod and Gun Club, due to the reduction in county tax revenue (\$3,748) that would result if the property were to become state land and tax exempt. Concern was expressed by two individuals regarding the purchase price of the property and the lease back arrangement with the current owner. Letters supporting acquisition of the property were received from two individuals and a neighboring property owner called to express his support. Future communication supporting or opposing the proposal will be directed to Helena. Parties who have expressed interest have been informed of the intent to present this acquisition to the Land Board January 16, 2007.</p>

WATER RIGHTS EVALUATION REPORT

Basin 41S Judith River

Stock Water Rights

W-104349 Instream stockwater for UT Wolf Creek SW Sec 35 in use.

W-104574 Spring NWSENE sec 10 in use.

P-8706 Instream stockwater UT Wolf Creek in use.

C-8983 Groundwater pit NWNWNW (reservoir) pipeline and tanks for sec 1, 2 and 11. There is a pipeline that serves this tract and another private tract to the east. Water right would need to be split between both parties and an agreement with the private owner to the east on how they would be allowed to divert water from the reservoir.

C-84301 Developed spring SWNWSW Sec 2 in use.

C-8983 Reservoir in use.

Irrigation Water Rights

W-101592 Wolf Creek pump site, irrigates 55 acres in Secs 10, 11 and 16 (private land). This right is currently being used with a wheel line sprinkler.

W-101593 Ox Creek pump site to flood irrigate 38.8 acres in W2E2 sec 10. This right does not appear to be in use.

W-101594 Ox Creek pump/dike to irrigate 52 acres in Sec 10. This right does not appear to be in use.

W-101595 Wolf Creek pump site for irrigation of 70 acres in E2E2 Sec 10 and W2W2 Sec 11. In use, wheel line sprinkler.

W-101596 Wolf Creek pump site for irrigation of 70 acres in E2E2 Sec 10 and W2W2 Sec 11. In use, wheel line sprinkler.

P-29940 Wolf Creek pump site for irrigation of 75.7 acres in E2 sec 10 and W2 Sec 11. In use, sprinkler irrigation.

P-68174 Wolf Creek pump site irrigates 166.64 acre in Sec 10 and 11. Storage reservoir not in use. A portion of the permitted acres are currently irrigated.

P-33710 Smith Creek pump site, 26 acres in NWNW sec 2 and 19 acres in NENE Sec 3. Not in use.

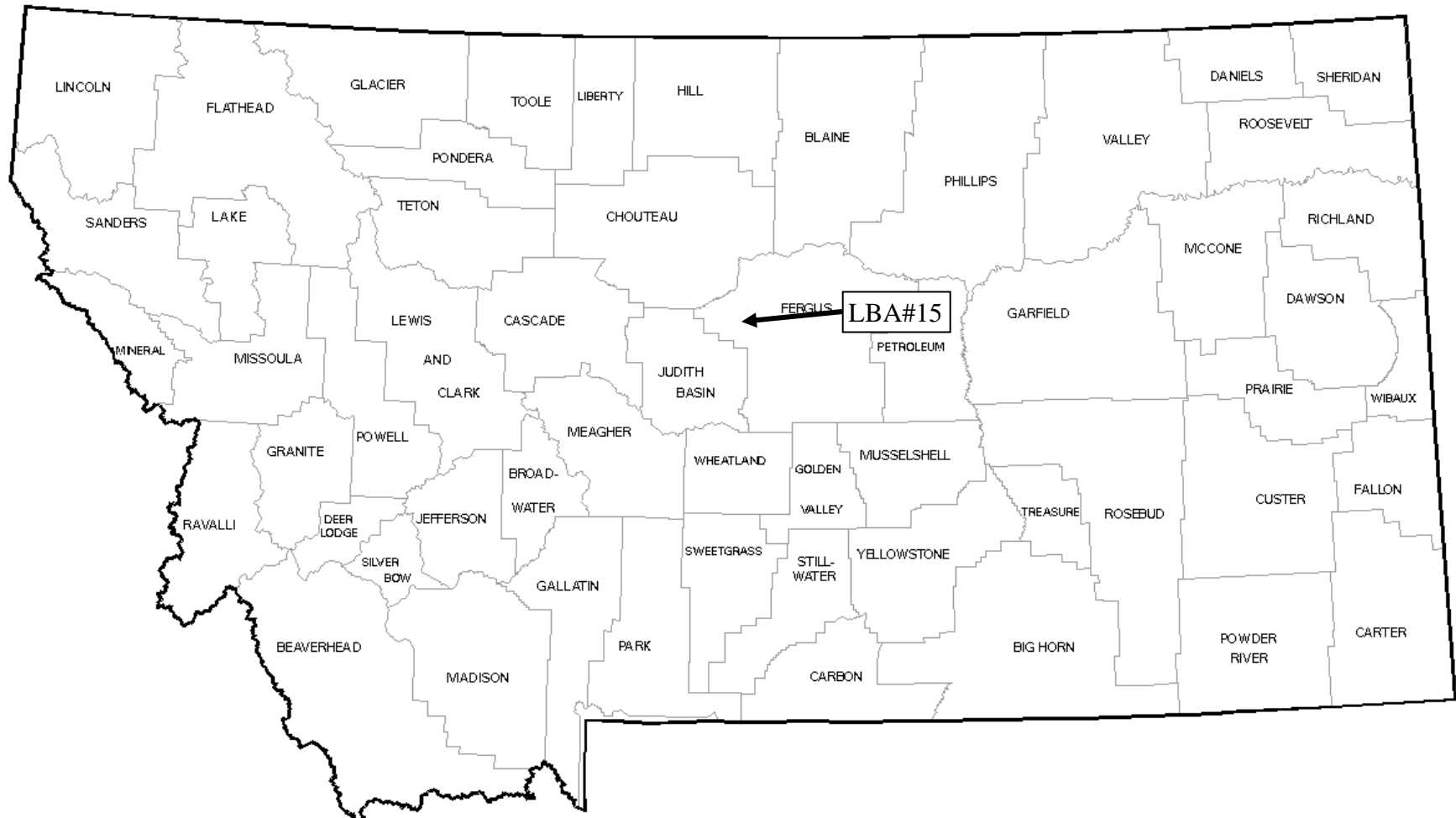
P-18495 Wolf Creek pump site for irrigation of 30 acres in SW, W2W2SE Sec 35. Not in use.

P-33738 UT Wolf Creek with reservoir in SWSW 35, irrigates 30 acres in Sec 35. In use, hand line sprinkler.

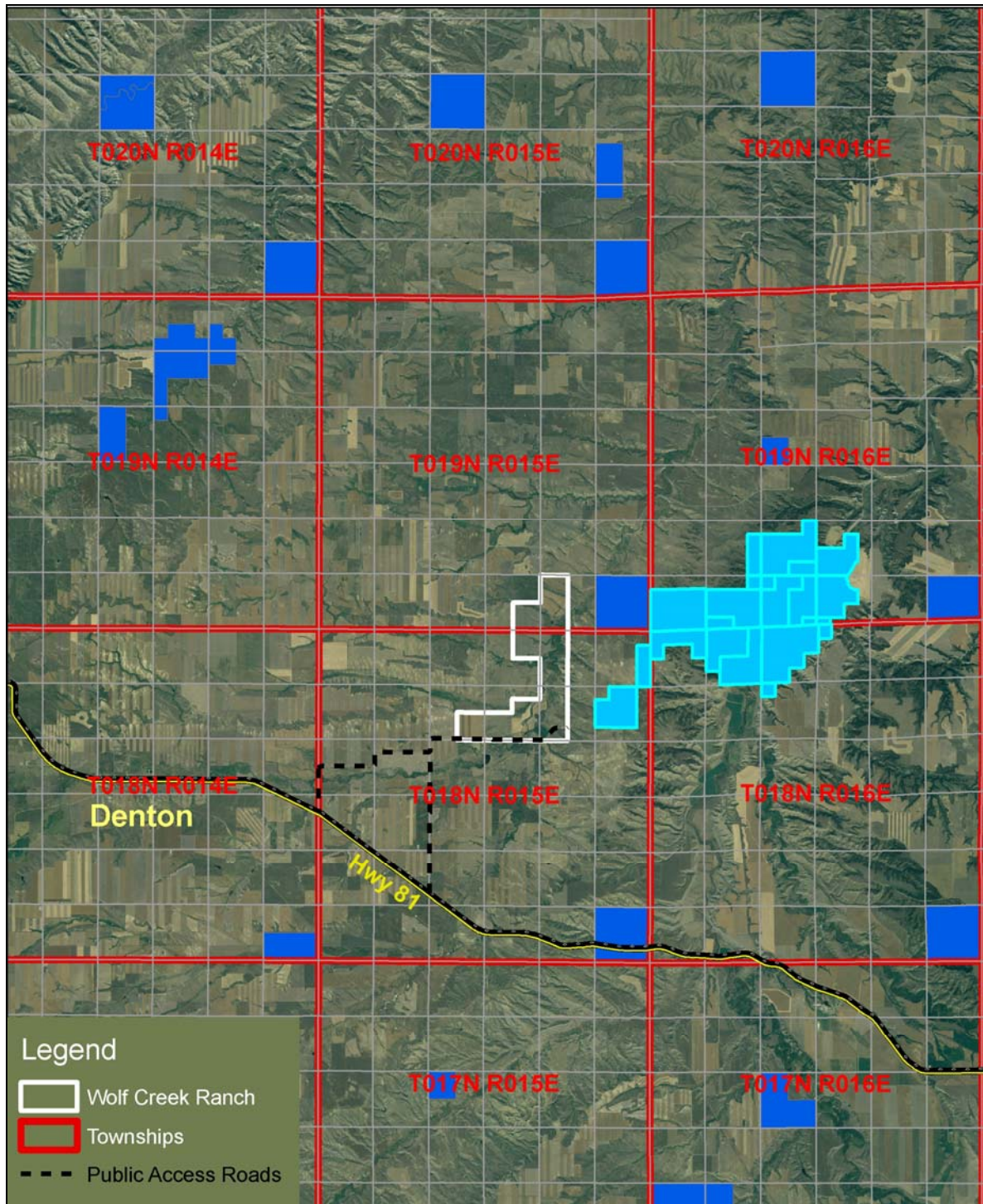
Fish and Wildlife Water Right

P-8707 Fish reservoir NWNWNW Sec 11. In use, trout currently stocked in reservoir.

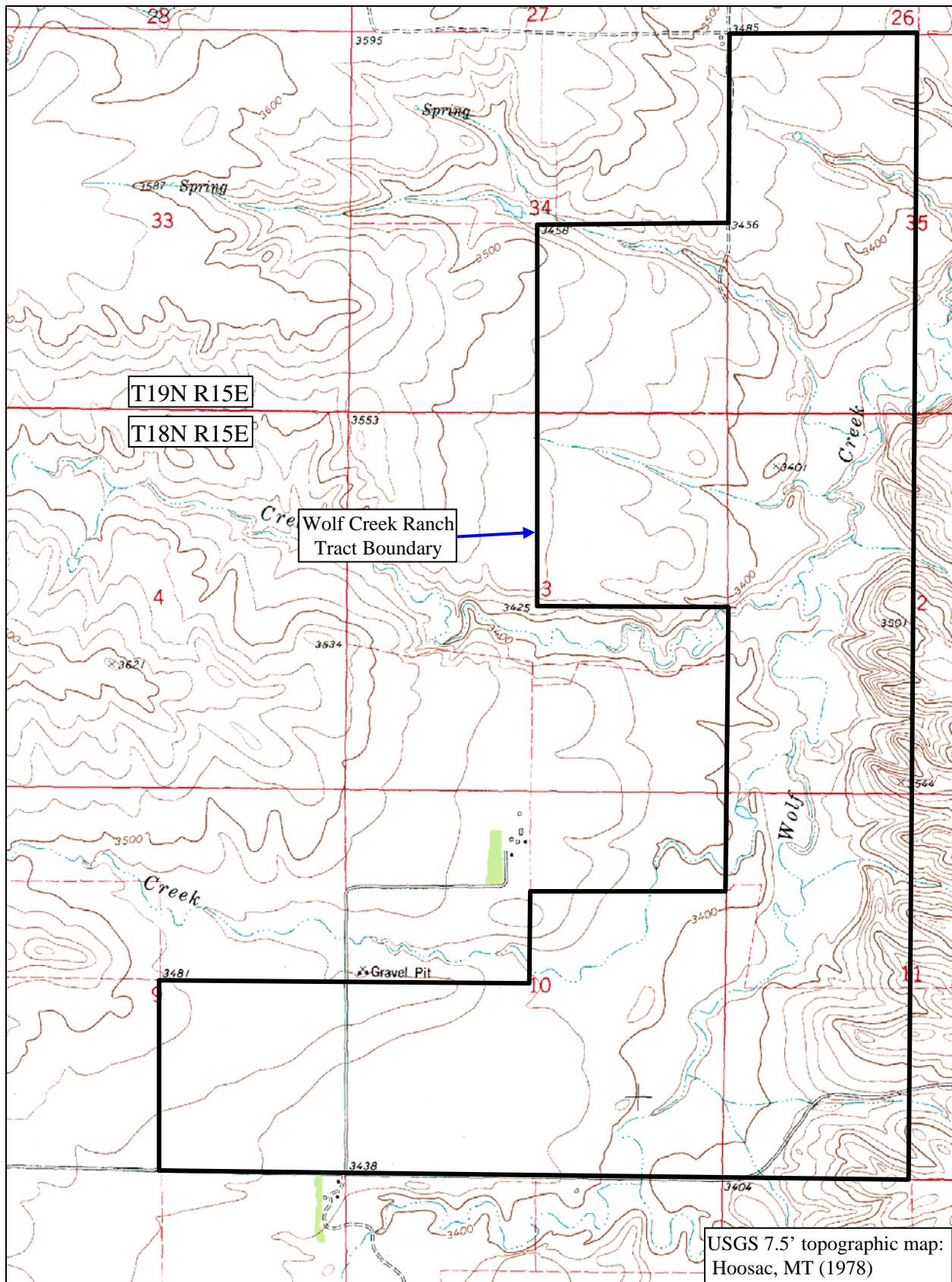
P-81916 Reservoir NESWNW Sec 35. Reservoir in use, not clear if it would support a fishery.



General location of the Wolf Creek Ranch tract.



Location of Wolf Creek Ranch tract in relation to public lands and the Denton townsit. Dark Blue lands are state owned and DNRC administered; light blue lands are state owned and administered by DFWP.



1:24,000 scale topographic map showing the Wolf Creek Ranch tract in Fergus County.